

<p align="center">2003 - 2004 ANNUAL REPORT</p>

SPECIAL REVENUE FUNDS (CONT'D.)

Integrated Waste Management Fund

The Integrated Waste Management (IWM) Fund was established effective July 1, 1994. The fund collects revenues from the City's Recycle Plus program and through fees on other solid waste services as authorized by AB 939, the State law requiring cities to reduce waste landfill by 50% by the year 2000 and maintain this diversion rate every year thereafter. This fund is expended for programs related to the City's efforts to comply with that law, along with other integrated waste management services.

Integrated Waste Management Fund

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 68,072	\$ 67,853	\$ (219)	(.3%)
<i>Expenditure</i>	73,186	69,222	\$ 3,964	5.4%
<i>Fund Balance (est. *)</i>	4,671 *	9,795	\$ 5,124	109.7%

Revenue ended the year approximately 0.3% lower (\$219,000) than the modified budget level. The negative variance primarily resulted from lower than budgeted Recycle Plus bulky goods disposal (\$155,000) and lower than anticipated revenues from the County related to household hazardous waste (\$140,000).

Expenditures in this fund ended the year with savings of \$4.0 million (5.4%). The majority of the positive variance was due to non-personal/equipment savings (\$3.5 million) mainly attributed to lower than budgeted expenditures as a result of cost-cutting measures in the Environmental Services Department (marketing outreach, contractual services, and miscellaneous non-personal/equipment expenditures) and personal services vacancy savings (\$392,000).

A portion of the aforementioned savings (\$200,000) was rebudgeted as part of the 2004-2005 Adopted Operating Budget for Department of Transportation non-personal/equipment expenses for street sweeping signage.

In addition, a funding shift (\$59,000) to correctly appropriate funding for the transfer of a cashier position, approved as part of the 2004-2005 Adopted Operating Budget, from the Environmental Services Department to the Finance Department is recommended as part of this document.

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SPECIAL REVENUE FUNDS (CONT'D.)

Integrated Waste Management Fund (Cont'd.)

The Integrated Waste Management Fund ended the year with a higher than estimated fund balance (\$5.1 million) due to higher than expected expenditure savings (\$5.3 million) partially offset by lower than anticipated revenues (\$219,000) as described above. A portion of these savings were generated through cost-cutting measures (\$1.2 million), as described above, in the Environmental Services Department to generate savings for potential costs related to the Council-approved Customer Relationship Management, Utility Billing System, and Partner Relationship Management (CUSP) system. These savings were generated in addition to the 2003-2004 approved allocation for this project (\$948,000). In anticipation of the fund's share of the CUSP system and in order to stabilize potential future rate increases, the establishment of a \$2.3 million reserve for CUSP is recommended in this document.